

Message Text

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ACTION L-02

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R 111156Z MAR 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2794

C O N F I D E N T I A L BUDAPEST 0664

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJ: BOND SETTLEMENT AGREEMENT

REF: STATE 39695

1. EMBASSY ECON OFFICER DISCUSSED TEXT OF DEPARTMENT ASSURANCES WITH AKAR AT MINISTRY OF FINANCE MARCH 5. AKAR REQUESTED THAT PHRASE "AND SUBJECT TO THE FOREGOING EXCEPTION" IN SECOND SENTENCE OF TEXT BE REMOVED, STATING THAT FIRST SENTENCE ALREADY MADE IT CLEAR THAT OUR ASSURANCES DID NOT EXTEND TO LAND REFORM BONDS OF 1928. AS IT WAS CLEAR OUR ASSURANCES HAD NOTHING TO DO WITH LAND REFORM BONDS HE DID NOT FEEL THAT THERE WAS ANY REASON FOR THE USG TO SPECIFICALLY RESERVE THE RIGHT TO SPONSOR CLAIMS IN CONNECTION WITH THESE BONDS IN OUR ASSURANCES. HOWEVER, TO EMPHASIZE POINT THAT OUR ASSURANCES HAD NOTHING TO DO WITH LAND REFORM BONDS, IT WAS SUGGESTED THAT WORDING "ACTING WITHIN THE FRAMEWORK OF ITS ACTIVITIES AS SPECIFIED ABOVE" BE ADDED AT END OF FINAL SENTENCE OF TEXT. AKAR ALSO ASKED THAT SPECIFIC REFERENCE TO MUNICIPAL BONDS BE MADE IN SENTENCE ONE BETWEEN REFERENCES TO "GOVERNMENT-GUARANTEED DOLLAR DENOMINATED DEBT" AND "CORPORATE DOLLAR DENOMINATED DEBT".

2. WHILE FINANCE MINISTRY'S SENSITIVITY ON WORDING OF ASSURANCES STRIKE US AS EXCESSIVE, GOH REMAINS READY TO
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NEGOTIATE EARLY SETTLEMENT WITH LAND REFORM BOND HOLDERS

AND AKAR SHOWED EMBOFF COPY OF MARCH 5 LETTER TO ROYAL WHITING OF SULLIVAN AND CROMWELL WHO REPRESENTS THESE BONDHOLDERS, INVITING HIM TO COME TO BUDAPEST TO BEGIN DISCUSSIONS. AKAR, DUE TO RECENT ILLNESS, HAS DECIDED TO DELAY TRIP TO U.S. TO WORK OUT FINAL DETAILS CONNECTED WITH BOND SETTLEMENT WITH WOODS WHICH ORGINALLY SCHEDULED FOR THIS WEEK. HE NOW PLANS TO MAKE JOURNEY IN MID-APRIL.

3. AS EMBASSY CAN PERCEIVE NO SUBSTANTIVE DIFFERENCE BETWEEN WORDING PROPOSED BY DEPARTMENT AND THAT ASKED FOR BY AKAR, AND IN VIEW OF GOH'S CLEAR ACKNOWLEDGEMENT THAT LAND REFORM BONDS MATTER FOR SEPARATE NEGOTIATION, REQUEST WE BE AUTHORIZED TO PRESENT GOH WITH FOLLOWING ASSURANCE:

"THE FOREIGN BONDHOLDERS PROTECTIVE COUNCIL, INC., IS THE APPROPRIATE ENTITY TO CARRY ON NEGOTIATIONS AND CONCLUDE SETTLEMENT RELATING TO PUBLICLY OFFERED GOVERNMENT, GOVERNMENT-GUARANTEED DOLLAR DENOMINATED DEBT, AND MUNICIPAL AND CORPORATE DOLLAR DENOMINATED DEBT ECXEPT FOR THE HUNGARIAN LAND REFORM BONDS OF 1928. RECOGNIZING THIS FACT, THE UNITED STATES GOVERNMENT WILL NOT SPONSOR FUTURE CLAIMS WHICH MIGHT NOT BE DEPOSITED IN ACCORDANCE WITH, AND BY WAY OF ACCEPTANCE OF, AN OFFER NEGOTIATED WITH AND RECOMMENDED BY THE COUNCIL ACTING WITHIN THE FRAMEWORK OF ITS ACTIVITIES AS SPECIFIED ABOVE."

PEDERSEN

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